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SIPDIS

DEPARTMENT FOR EUR/ERA AND EUR/RPM

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TAGS: PREL MARR EUN USEU BRUSSELS
SUBJECT: AN INSIDE LOOK AT THE EUROPEAN DEFENSE AGENCY AND
EU CAPABILITIES DEVELOPMENT

REF: BRUSSELS 3747

Classified By: USEU Political Military Officer Jeremy Brenner for reaso
ns 1.4 (b) and (d)

Summary

¶1. (C) European Defense Agency (EDA) CEO Nick Witney argues
the prescription for European defense capability shortfalls
is to "spend money on the right stuff, spend more money
together and pool efforts and resources." Europe has 10,000
main battle tanks, 23 separate shipyards (to the US's 6) and
fleets of fighter jets that lack tanker support to get them
to the fight. Europe has been mired in a capabilities deficit
for years, but the European Defense Agency may offer new hope
in the battle to craft new approaches to the EU's capability
development process. The Agency may look to expand its
organization through managing procurement programs for "ad
hoc" groups of nations in order to inject some needed cash
and manpower. End Summary.

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The Comprehensive Capability Development Process
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¶2. (C) Agency Deputy CEO Hilmar Linnenkamp describes the EDA
as a "capabilities-led defense agency", and emphasizes that
helping nations deliver fielded capabilities for ESDP
missions is their primary focus. Everything else is designed
to support that goal, as the EDA attempts to meet the
requirements of the European Security Strategy (ESS). The
EDA's capability development function is carried out within
the context of a wider development process providing for a
comprehensive and systematic "translation" of
politico/military requirements into delivered capabilities.
This Comprehensive Capabilities Development Process (CCDP)
aims to provide "coherence" by linking ESDP collective
ambition and strategic defense objectives with military
capabilities and member states' defense plans, budgets and
systems investment.

¶3. (SBU) The CCDP provides a roadmap for the EU to deliver
improved military capabilities to achieve the vision of ESDP.
 To maintain coherence, at each stage in capability
development, the plan asks the overarching question: "What
does Europe want to do militarily?" As the development
process progresses from the EDA's Integrated Development
Teams (IDTs) through the EU Military Committee (EUMC) to the
EU Political and Security Committee (PSC) and onward to the
EU Council, this desired end state is always present. The
bulk of this development work will occur within the EDA's
capabilities directorate, which will take the lead on the EU
project groups and coordinate with other "experts".

ECAP Migration to IDT's

¶4. (SBU) A key facet of the CCDP is the EDA's plan for
individual capability project groups (air-to-air refueling,
airlift and C3 to name a few). When the EDA took over the
European Capabilities Action Plan (ECAP), or "blew it up" as
EDA staffers describe it, the Agency scored an early intra-EU
success by snatching ECAP stewardship from the EU Military
Staff (EUMS). The EDA has since launched an innovative plan
to convert most of the ECAP groups to matrix-type Integrated
Development Teams. The development teams will draw on
expertise from a variety of competencies including R&T,
industry, science, military and finance. The theory is to
consolidate knowledge from a variety of skills early in the
process to avoid surprises when it comes time to pay for the
hardware or to ask industry to produce the desired
capability.

¶5. (SBU) One point to watch will be the relationship between
the NATO PCC groups and the new EU IPT's. There were many
project groups that were under dual NATO/EU PCC/ECAP
partnership, but the EDA has not developed plans to integrate
NATO PCC groups into the new EDA project Teams. This bears
watching, because it will have a major impact on NATO's
active involvement in European capabilities development.

"Ad Hoc" Groups

¶6. (SBU) The European Council Joint Action of July 2004
authorizes the Agency to "provide for the possibility of
specific groups of Member States establishing ad hoc projects
or programs." The EDA Steering Board may also authorize the
Agency to "enter into contracts on behalf of certain Member
States," and collect funds from the nations in advance for
required contracts. The EDA sees this as a growth area and a
route around the EU Council imposed ceiling of 80 personnel
and 20 million Euro budget. It is also a way to advance
structured cooperation, an EU concept whereby a self-selected
group of nations can move ahead of the rest on a defined
project. Since Council funding is limited, the EDA sees
these groups as an opportunity to receive funding for project
management. This is a big opportunity for the Agency, since
its ability to launch capabilities studies is severely
limited by its staff, wherein only 10 people work in the
capabilities directorate. The EDA also may be working with
the UK to form a group of European nations interested in
having the Agency contract some air-to-air-refueling planes.

Relations with EU Member States

¶8. (C) Nick Witney has often said, "EU Nations have to stop
spending money on the wrong thing, and start buying the right
things." Comments like that do not always win friends.
There may be more at stake than just capabilities, as agency
staffers say Javier Solana is anxious for the EDA to produce
results. Javier Solana is quoted as saying, "You're all we've
got left - you have to succeed. The whole (European) project
is riding on you." EDA officials say that Solana has told
Witney and others that the EDA has just one year to "produce"
results, or it risks losing its mandate and in so doing
becoming subject to budget cuts from non-admiring nations
like Spain, Italy and Germany. The EDA has made some enemies
from the outset, and some nations were clearly displeased
with the EDA's intrusive investigation of their national
procurement practices during the EDA's queries into article
296 abuses (see ref x). One nation that is actively
campaigning against the Agency and its drive to reform EU
procurement practices is Spain. (See ref Z for details of the
newly-announced Code of Conduct for Defense Procurement.)

Relations with NATO

¶9. (C) The joint action specifies the Agency should invite
the NATO Secretary General and "Heads/Chairs of other
arrangements, organizations or groupings whose work is
relevant to that of the Agency" to Steering Board meetings.
So far, that has not happened. When questioned about this
lack of cooperation, CEO Witney often says, "the time is not
right" to develop a formal relationship with NATO. One EDA
staff member said that the EDA lacked a security agreement
with NATO, so it "wasn't possible" to interact on an official
level. The Agency is keen, however, to establish a robust and
close relationship with NATO's Allied Command Transformation
(ACT) in Norfolk. The Agency feels that both share the same
mission - transformation -- and they also engage in similar
matrix type organizational plans. It may be possible to
offer the EDA a carrot in the form of a relationship with
NATO's ACT in exchange for formal arrangements with NATO and
its other agencies. NATO's Defense Investment may also
develop extensive ties with the EDA.

Budget/Personnel

¶10. (SBU) The Council has allocated the EDA just 20 million
Euros for 2005 with only 3 million devoted to operations, and
many EDA staffers tell us money is tight. The EDA is
actively pushing for budget increases, although Nick Witney
predicted next year's budget will remain "stable." Additional
funds of up to 3 million Euros may be provided to the Agency
for Research and Technology development programs. Some
dual-use technology programs benefit from considerable
investment from the European Commission.

Relations with US Industry

¶11. (C) Most US industry representatives in Brussels are
taking a "wait and see" posture with the EDA. Nick Witney is
still one of the most popular speakers in town, but he
provides few concrete details, preferring to talk instead in
broad concepts. Many sage Brussels insiders see the future

fallout from the EDA as a battle within Europe between the
large multi-nationals who control up to 85 percent of the
European defense market and the small companies, who will
likely suffer the most during a serious consolidation effort.
 The Brussels-based US-EU American Chamber of Commerce has
assembled a "Security and Defense Task Force" whose
membership includes most European representatives of the
major US defense companies. They track the EDA and its
initiatives closely.

European Preference

¶12. (C) Witney and Linnenkamp have been very careful when
addressing this topic. Witney has acknowledged there is a
view in Europe that "technology flows across the Atlantic,
but does not flow back", and that a discussion of "European
Preference" will likely occur, but he believes EU nations are
still "divided on the issue of whether there should be a
European Preference in EU procurement" practices. The Defense
Ministers, in their EDA Steering Board formation have
directed the agency to compile statistics on technology
transfer, and the European Parliament is examining the same
issue.

Comment

¶13. (C) If pursued wisely, the EDA's program could produce
some significant improvement in European military
capabilities. However, the worst possible scenario would be
for the EDA to go off in a different direction from NATO in
capability development. This could leave European countries
fighting over differing versions of capability requirements
with the EU advocating different capabilities than NATO. It
is vital that these groups remain linked.

McKinley
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